Club Finance Holdings Limited

Financial Report

For the year ended 30 June 2022

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Club Finance Holdings Limited

Directors' Report

The directors present their report, together with the financial report of Club Finance Holdings Limited (the Company or CFH) for the year ended 30 June 2022 and the auditor's report thereon.

DIRECTORS

The names of directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Elizabeth M Jameson AM (Chair)
- Leona C Murphy
- Annabel L Dolphin
- John F Minz
- Andrew G Moore
- Duncan V Brain (appointed 26 July 2021)
- Prof. Sarah J P Pearson (appointed 23 November 2021)
- Robert Hubbard (appointed 23 November 2021)
- William J Fellowes (appointed 23 November 2021)
- Anthony M Gambling (ceased appointment 23 November 2021)
- Bronwyn K Morris AM (ceased appointment 23 November 2021)

Further information on the current directors is contained in the CFH Directors section on pages 4 to 6. This section also includes their qualifications, experience and particular responsibilities.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors), and each director's attendance at those meetings during the year, were:

Director	CFH Board		Bank Audit Committee		Group People, Nominations and Remuneration Committee*		Bank Risk and Compliance Committee	
	A	H	A	H	A	H	A	H
Elizabeth Jameson AM	8	8	-	-	6	6	3	3
Leona Murphy	8	8	-	-	3	3	6	6
Annabel Dolphin	8	8	3	3	6	6	3	3
John Minz	8	8	5	6	-	-	6	6
Andrew Moore	8	8	3	3	-	-	3	3
Duncan Brain	8	8	2	2	-	-	3	3
Prof. Sarah Pearson	5	5	-	-	-	-	3	3
Robert Hubbard	5	5	3	3	3	3	-	-
William Fellowes	5	5	1	1	3	3	-	-
Anthony Gambling	4	4	2	3	-	-	-	-
Bronwyn Morris AM	4	4	3	3	3	3	-	-

A - meetings attended during the financial year

H - meetings held during the financial year while the director held office for which the director was eligible to attend

* The Group Remuneration and Nomination Committee was re-purposed as the Group People, Nominations and Remuneration Committee with effect from 29 March 2022.

COMPANY SECRETARY

Bradley D Bowes is the Company Secretary in office as at the end of the financial year. The qualifications and experience of the Company Secretary are set out on page 6.

PRINCIPAL ACTIVITIES

CFH is an unlisted public company limited by shares, incorporated and domiciled in Australia. CFH is a majority-controlled entity of The Royal Automobile Club of Queensland Limited (RACQ or the Group). CFH is a for-profit entity and was authorised as a Non-Operating Holding Company (NOHC) for Australian Prudential Regulation Authority (APRA) purposes with effect from 24 November 2016. As a NOHC, the operations of the Company are limited. The principal activity during the year was holding shares in Members Banking Group Limited (RACQ Bank).

CFH also issued Legacy Shares to former RACQ Bank members on 24 November 2016 as part of the merger with RACQ.

There were no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

The Company became a NOHC on 24 November 2016 when RACQ Bank became a wholly owned subsidiary of the Company. The operations of CFH are centred on monitoring the performance of RACQ Bank in accordance with the prudential and reporting standards set by APRA.

The Company's net loss after tax for the year was nil (2021: loss of $0.7 thousand).

DIVIDENDS

No dividends were paid or declared during the year or subsequent to year end (2021: $nil).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there have been no significant changes in the state of affairs of CFH during the year.

ENVIRONMENTAL REGULATION

CFH's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the directors believe that CFH has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to CFH.

SIGNIFICANT CHANGES AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the year, which significantly affected or may significantly affect the operations of CFH, the results of those operations, or the state of affairs of CFH in future financial years.

LIKELY DEVELOPMENTS

The directors do not anticipate that there will be any major changes to the operations or activities undertaken by CFH in subsequent financial years.

INDEMNIFICATION AND INSURANCE OF OFFICERS

RACQ and RACQ Bank have entered into standard form deeds with directors and officers to indemnify them to the maximum extent permitted by law against all liabilities that may arise from their position with CFH, RACQ Bank, any RACQ Group entity of which they are an officer, or any other company of which they are an officer at the request of an RACQ Group entity. The agreements stipulate that RACQ or RACQ Bank will meet the full amount of any such liabilities, including losses, costs, charges, damages, and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of directors and officers of CFH. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of CFH. The directors have not included details in this report of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

Club Finance Holdings Limited

To the extent permitted by law, RACQ has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. RACQ has also indemnified Ernst & Young Australia against claims, damages, demands, liabilities, costs and expenses including reasonable legal fees and expenses arising from a breach of a warranty provided in respect of intellectual property rights of third parties relating to software, information, data, material and other assistance. No payment has been made to indemnify the auditors during or since the financial year.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2022.

ROUNDING OFF

CFH is a company of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*, and in accordance with that Instrument, amounts in the Directors' Report and the financial report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the CFH Directors.

ELIZABETH JAMESON AM

Chair

15 September 2022

DIRECTORS

Information on the directors is set out below, including qualifications, experience and particular responsibilities as at the date of this report.

Elizabeth M Jameson AM (Chair) LLB (Hons1), BA, FAICD, MQLS

Director from July 2018

President and Group Chair of RACQ, chair of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Director of RACQ Operations Pty Ltd. Member of the Group People, Nominations and Remuneration Committee.

Ms Jameson is a professional non-executive director and founder of national governance consultancy Board Matters and associated firm Board Matters Legal. Previously a partner of a national law firm, Ms Jameson is a respected governance specialist, who is consulted at a national and international level. An experienced director, she has served over the past 25 years on the boards of more than 20 other organisations in the private, not-for-profit and public sectors. She is presently also chair of Queensland Theatre and director of Endeavour Foundation.

Leona C Murphy BCom, GAICD

Director from July 2018

Vice President and Deputy Chair of RACQ, director of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee, member of the Group Strategic Capital Committee.

Ms Murphy is an experienced senior executive with 25 years' experience in insurance and financial services. She has had C-Suite roles in top 20 ASX listed insurance organisations for 10 years, most recently as chief strategy officer at IAG.

She is chair of the Royal Brisbane & Women's Hospital Foundation and a director of Liberty Financial Limited. Leona is a Board Member and Ambassador for The Climate Ready Initiative, a social impact initiative, established by the Griffith Climate Action Beacon.

Ms Murphy has been co-chair of the United Nation Environment's Principles for Sustainable Insurance Initiative and was recognised as one of Australia's Top 100 Women of Influence in the 2015 Australian Financial Review and Westpac Awards for her work in Global Resilience.

Annabel L Dolphin BBus (Mgmt), Dip NSL, GAICD, CAHRI

Director from January 2019

Director of RACQ, Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group People, Nominations and Remuneration Committee, member of the Group Audit Committee and Bank Audit Committee.

Ms Dolphin is an experienced non-executive director with over 20 years' specialising in strategic human resources, organisational design and culture change across a diverse range of sectors. She is currently President of the Saints Netball Club Mackay Inc, non-executive director for Tourism Australia and the Mackay Hospital and Health Service. She is also director of Dolphin Ventures Pty Ltd where she sits on several independent advisory boards and a director of Cooney Investments Pty Ltd t/a Helloworld Travel Mackay, Mt Pleasant and Townsville.

John F Minz B.Com, Grad Dip Commercial Computing Sen. Fellow FINSIA, FAIM, FAICD

Director from February 2017

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Audit Committee and Bank Audit Committee, member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Mr Minz retired as the chief executive officer of Heritage Bank in November 2015, after 23 years with the bank. Mr Minz is president of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors and the Southern Queensland Police Community Board.

Club Finance Holdings Limited

Andrew G Moore BEcon, BSc, MBA (INSEAD), CA, F FIN, GAICD

Director from April 2019

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of Group Strategic Capital Committee and member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Mr Moore is an experienced senior executive with over 30 years extensive experience in the financial and professional services industries, both in Australia and Europe with previous executive roles including Managing Director of GE Capital Home Lending (Aust&NZ) and General Manager of St. George Retail Bank.

More recently, Mr Moore has directed his executive and non-executive efforts towards digital transformation and disruption in the financial services industry. He is CEO of Spaceship Financial Services, a business focused on delivering an innovative and engaging investment and superannuation experience to young Australians.

Duncan V Brain B.App.Sc (Maths), MBA, MAICD

Director from July 2021

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Audit Committee, Bank Audit Committee, RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Mr Brain is an experienced CEO and Director having worked for more than 30 years in the insurance and financial services industry. In addition to his executive and board roles he has extensive Insurance Operations and M&A experience, having managed most operational functions, and led more than 70 M&A projects.

Mr Brain has worked for a number of ASX listed insurers including as Divisional CEO for IAG, Australasia's largest General Insurance Group. Internationally, Mr Brain has held CEO & Board positions across seven countries, working and partnering with market and global leading financial services groups.

Prof. Sarah J P Pearson DPhil (Oxon), FTSE, GAICD

Director from November 2021

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee, Bank Risk and Compliance Committee and Group Strategic Capital Committee.

Professor Pearson is an experienced Non-Executive Director, Investor and Advisor with extensive global executive leadership expertise spanning FTSE 100 multinationals, international C-suite roles in the public and private sector, well known brands such as Cadbury and McKinsey, Venture Capital and startups. As an expert in science, innovation and driving change she has represented Australia globally as Chief Scientist & Chief Innovation Officer at DFAT, helped the growth of new technology companies, and led the uptake of technology in the public and private sector. Professor Pearson's current roles focus on the application of emerging technologies for economic, social and environmental impact, through investment roles overseeing ~$1bn globally including Main Sequence Ventures, NED roles such as the Global Innovation Fund, ANU Council, and advisory roles such as Paul Ramsay Foundation Fellow.

Robert Hubbard BA (Hons), Accy, FCA

Director from November 2021

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group People, Nominations and Remuneration Committee, Group Audit Committee and Bank Audit Committee.

Mr Hubbard has more than 20 years' experience in accounting, corporate finance, assurance and audit as a partner at PwC in Brisbane, retiring in 2013. Whilst at PwC Mr Hubbard was a director of MS Australia, Opera Queensland and a member of the Council of the University of the Sunshine Coast.

Since 2013, Mr Hubbard has been a non-executive director focussed in in ASX listed companies. Mr Hubbard currently chairs healthcare company Healius Limited and is Deputy Chair of lithium producer Allkem Limited. Mr Hubbard has also served as a director of Bendigo and Adelaide Bank Limited from 2013 until November 2021, chairing the Bank's Audit Committee during that time, and Chair of Central Petroleum Limited.

Club Finance Holdings Limited

William J Fellowes BComm, GradDipCA, GAICD

Director from November 2021

Director of RACQ, Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group People, Nominations and Remuneration Committee and the Group Strategic Capital Committee.

Mr Fellowes is an experienced non-executive Director with an advisory and assurance professional background at PwC. Throughout his career, Mr Fellowes has worked across external audit, internal audit and financial consulting across Australia, the US and Europe and more recently spent four years in various senior executive roles with a health technology company based in Sydney.

Mr Fellowes sits on several other Board's including Children's Health Queensland Hospital & Health Service, Northern Australia Primary Health Limited and Opera Queensland and also sits on a number of advisory committees as a financial specialist.

COMPANY SECRETARY

Bradley D Bowes PhD, MBA, MCommLaw, BBus(Accty), FGIA, FCIS, MAICD

Mr Bowes is a member of the RACQ Group Executive. As Group Company Secretary, he also has particular responsibilities as company secretary for all the legal entities within the RACQ Group. He leads the Group Secretariat with responsibility for aspects of corporate governance, and for managing all matters associated with the efficient and effective operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary and governance professional with significant experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

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Auditor's Independence Declaration to the Directors of Club Finance Holdings Limited

As lead auditor, for the audit of the financial report of Club Finance Holdings Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b) no contraventions of any applicable code of professional conduct in relation to the audit; and

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
Brisbane
15 September 2022

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue		-	-
Expenses			
Administration expenses		-	(1)
Loss before income tax		-	**(1)**
Income tax benefit		-	-
Loss for the year		-	**(1)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		-	**(1)**
Loss after income tax attributable to:			
Equity holders of the Company		-	(1)
Total comprehensive loss attributable to:			
Equity holders of the Company		-	(1)

The Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Club Finance Holdings Limited

Balance Sheet

As at 30 June 2022

	Note	2022 $'000	2021 $'000
Current Assets			
Cash and cash equivalents		3	3
Trade and other receivables	5	6,110	6,110
Total current assets		**6,113**	**6,113**
Non-current assets			
Investment in subsidiary	4	186,233	186,233
Total non-current assets		**186,233**	**186,233**
Total assets		**192,346**	**192,346**
Current Liabilities			
Trade and other payables	6	601	685
Total current liabilities		**601**	**685**
Total liabilities		**601**	**685**
Net assets		**191,745**	**191,661**
Accumulated funds			
Share capital	7	71,764	71,680
Retained surplus		(46,486)	(46,486)
Reserves		166,467	166,467
Total accumulated funds		**191,745**	**191,661**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Club Finance Holdings Limited

Statement of Changes in Equity

For the year ended 30 June 2022

2022	Note	Share capital $'000	Preference shares $'000	Retained surplus $'000	Merger reserve $'000	Total equity $'000
Balance at beginning of year		**71,610**	**70**	**(46,486)**	**166,467**	**191,661**
Loss for the year		-	-	-	-	-
Other comprehensive loss for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	-	-
Transactions with owners in their capacity as owners						
Shares issued	7	-	84	-	-	**84**
Total transactions with owners in their capacity as owners		-	**84**	-	-	**84**
Balance at end of year		**71,610**	**154**	**(46,486)**	**166,467**	**191,745**

2021	Note	Share capital $'000	Preference shares $'000	Retained surplus $'000	Merger reserve $'000	Total equity $'000
Balance at beginning of year		71,610	52	(46,485)	166,467	**191,644**
Loss for the year		-	-	(1)	-	**(1)**
Other comprehensive loss for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	**(1)**	-	**(1)**
Transactions with owners in their capacity as owners						
Shares issued	7	-	18	-	-	**18**
Total transactions with owners in their capacity as owners		-	**18**	-	-	**18**
Balance at end of year		**71,610**	**70**	**(46,486)**	**166,467**	**191,661**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Payments to suppliers and employees		-	(1)
Net cash flows from operating activities		**-**	**(1)**
Cash flows from investing activities			
Purchase of shares in subsidiary		-	-
Net cash flows from investing activities		**-**	**-**
Cash flows from financing activities			
Proceeds from issue of share capital		84	18
Payment from related parties		-	-
Payments to legacy shareholders		(84)	(18)
Net cash flows from financing activities		**-**	**-**
Net increase (decrease) in cash and cash equivalents		-	(1)
Cash and cash equivalents at the beginning of the year		3	4
Cash and cash equivalents at the end of the year		**3**	**3**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

1. BASIS OF PREPARATION

a) Reporting entity

Club Finance Holdings Limited (the Company) is an unlisted public company limited by shares, incorporated and domiciled in Australia. The Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The ultimate parent entity of the Company is The Royal Automobile Club of Queensland Limited (RACQ).

The Company is a for-profit entity and was authorised as a Non-Operating Holding Company (NOHC) for Australian Prudential Regulation Authority (APRA) purposes with effect from 24 November 2016. As a NOHC, the operations of the Company are limited. The principal activity during the year was holding shares in Members Banking Group Limited (RACQ Bank).

The exemption from consolidation, in accordance with AASB 10 *Consolidated Financial Statements*, has been applied for the year ended 30 June 2022. The consolidated financial statements of the ultimate parent entity, RACQ, are available from RACQ's registered office, being 2649 Logan Road, Eight Mile Plains, Queensland, 4113.

b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

c) Basis of measurement

The financial statements are presented in Australian dollars and have been prepared on the historical cost basis.

d) New standards and interpretations not yet adopted

No standards, amendments to standards or interpretations have been identified that would materially impact the Company in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

Investments in subsidiaries are carried in the Company's financial statements at cost less accumulated impairment.

Impairment

At each reporting date, the Company reviews the carrying amount of its financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purposes of impairment testing, assets are grouped together at the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

b) Non-derivative financial instruments

Non-derivative financial assets

The Company has the following non-derivative financial assets:

Cash and cash equivalents

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid financial assets with original maturities of three months or less that are readily convertible to known amounts of cash. These are used by the Company in the management of its short-term commitments.

Trade and other receivables

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default or delinquency by a debtor.

Non-derivative financial liabilities

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Trade and other payables are unsecured, non-interest bearing and are usually settled within 30 days.

c) Dividend income

Dividend income is recognised when the right to receive payment is established.

d) Dividend declared

Dividends are recorded during the financial period in which the dividends are approved by the Board.

3. INCOME TAX

There is no income tax payable for the financial year ended 30 June 2022 (2021: $nil).

4. INVESTMENTS

	2022 $'000	2021 $'000
Non-current		
Investment in subsidiary	232,650	232,650
Accumulated impairment	(46,417)	(46,417)
Total Investment in subsidiary	**186,233**	**186,233**

There was no impairment expense recognised for the year ended 30 June 2022. The accumulated impairment relates to the Company's investment in Members Banking Group Limited. The investment was impaired to the fair value less costs of disposal at 30 June 2020.

5. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Loan to related entity	6,110	6,110

6. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Redeemable preference shares – Legacy Shares	525	609
Intercompany payable	76	76
Total Trade and other payables	**601**	**685**

7. SHARE CAPITAL

Ordinary shares	2022 $'000	2021 $'000
On issue at beginning of year – fully paid	71,610	71,610
Issue of ordinary shares	-	-
On issue at year end – fully paid	**71,610**	**71,610**

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

B Class Preference Shares	2022 $'000	2021 $'000
On issue at beginning of year – fully paid	70	52
Issue of preference shares	84	18
On Issue at year end – fully paid	**154**	**70**

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders. The preference shares do not contain voting rights.

8. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities approximate their carrying value.

9. BANKING CAPITAL MANAGEMENT

As an authorised NOHC, the Banking Group (including Club Finance Holdings Limited, Members Banking Group Limited, and RACQ Financial Planning Pty Ltd) must maintain a minimum level of capital adequacy.

The Banking Group maintains sufficient capital resources to support business activities, operating requirements and to ensure continuous compliance with internally and externally imposed capital ratio targets.

The adequacy of the Banking Group's capital is managed in accordance with APRA prudential standards. To manage, monitor and report regulatory and economic capital, the Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement, which sets out the objectives, processes, responsibilities and reporting requirements for the ICAAP, and an ICAAP Annual Report, which sets out the results of the annual assessment process. The ICAAP is approved by the Board on an annual basis.

The Banking Group's capital position is monitored and reported monthly to the Board. The capital ratios throughout the current and prior financial year complied with APRA minimum capital adequacy requirements and ICAAP minimums approved by the Board.

The regulatory capital position of the Banking Group is as follows:

	2022 $'000	2021 $'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	65,500	65,500
Retained earnings	108,451	105,549
Other reserves	21,510	21,380
Common Equity Tier 1 Capital	**195,461**	**192,429**
Less: prescribed deductions	(18,809)	(19,645)
Net Common Equity Tier 1 Capital	**176,652**	**172,784**
Tier 2 Capital		
General reserve for credit losses	1,291	3,600
Less: prescribed deductions	-	-
Net Tier 2 Capital	**1,291**	**3,600**
APRA Capital base	**177,943**	**176,384**
Risk weighted assets	**1,120,135**	**1,115,582**
Tier 1 capital ratio	15.8%	15.5%
Tier 2 capital ratio	0.1%	0.3%
Total capital ratio	**15.9%**	**15.8%**

10. RELATED PARTIES

Key management personnel are remunerated for their role with the Company and Members Banking Group Limited, with the remuneration paid by a related party within the RACQ Group. The compensation paid by the related party to key management personnel for their services to the Company and Members Banking Group Limited has been disclosed below.

	2022	2021
	$	$
Short-term employee benefits	365,318	276,016
Post-employment benefits	32,090	20,366
Total key management personnel compensation	**397,408**	**296,382**

11. AUDITOR'S REMUNERATION

During the financial year, the following fees were paid or payable for services provided by the Auditor:

	2022	2021
Amounts received or receivable by EY	$	$
Audit of the financial report	5,420	3,720
Other regulatory audit services	10,481	7,441
Total Auditor's remuneration	**15,901**	**11,161**

The Auditor's remuneration is not paid by the Company but by a related entity within the RACQ Group.

12. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations, or the state of affairs.

Directors' Declaration

In the opinion of the directors of Club Finance Holdings Limited (the Company):

(a) the financial statements and notes, as set out on pages 8 to 16, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors:

ELIZABETH JAMESON AM

Chair

15 September 2022

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Independent Auditor's Report to the Members of Club Finance Holdings Limited

Opinion

We have audited the financial report of Club Finance Holdings Limited (the Company), which comprises the balance sheet as at 30 June 2022, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
Brisbane
15 September 2022